

percentage increases shall be added to the highest previously existing base rate for the top step of each salary range and, the range will be calculated by dividing each range step, beginning with top step, by the factor 1.0525.

(f) The City agrees to a phased elimination of the nine-step pay plan and to maintain a five-step pay plans for all unit employees. Employees on the nine- step plan as of February 1, 2001, shall be eligible for a merit step increase to the appropriate salary step on the new five-step plan which provides for at least a five percent (5%) salary adjustment or up to the maximum salary step at the time of the employee's annual performance review date next following February 1, 2001. The City will maintain both a five- and nine- step salary range structure for approximately one year during this transition period. Any employee hired on or after April 1, 2001, will be assigned to the appropriate five- step salary plan. Employees hired between February 1, 2001, and March 31, 2001, will be eligible for a merit step increase to the appropriate salary step on the new five-step plan which provides for at least a five percent (5%) salary adjustment or up to the maximum salary step after six months of service.

(g) The City will adopt necessary documentation and procedures to implement the provisions of Section 414(h)(2) of the Internal Revenue Code (IRC) which permits a "pick up" program whereby the amount that an employee pays to PERS for retirement would be reported with the amount paid by the employer for income tax purposes; thereby making the employee's portion non-taxable until refunded or retirement, both federal and state purposes.

## Section 6.2 Salary Plan Administration

Each employee permanently assigned to a position covered by this Memorandum of Understanding shall be paid a salary within the range established for that position and classification.

## Section 6.3 Salary Plan Administration, Original Appointment

The salary for a new employee occupying a position covered by this Memorandum of Understanding shall be the minimum salary step for the classification to which the employee is appointed. However, when warranted, the City Manager may appoint a new employee at a salary step other than the minimum step of the appropriate classification.

## Section 6.4 Salary Plan Administration, Advancement Within Salary Range

No salary advancement shall be made so as to exceed the maximum rate established in the pay plan for the class to which the advanced employee's position is allocated. Employees hired at the first step of the salary range shall be evaluated for